

September 14, 2004

Fellow Commissioners:

In accordance with state law, I am pleased to present the FY 05/06 Biennial Budget. The FY 05/06 Biennial Budget maintains the long-term goals of the Board of Commissioners while recognizing the immediate demands for county services.

BUDGET AT A GLANCE

The FY 05 combined operating and capital budgets total approximately \$636 million. Approximately \$8 million is budgeted for capital projects, while \$44 million is budgeted for major Water System capital projects. Cobb has made a strong commitment to accommodate both existing and anticipated wastewater flows in an environmentally and fiscally responsible manner.

The FY 05 operating budgets account for more than 90% of the \$636 million budget. The FY 05 operating budgets increased by \$23.3 million over the FY 04 adopted operating budgets. This increase is attributed to the funding of new positions in FY 05/06, full-year impact of last year's personal services related to merit and new positions, reduced attrition, rising healthcare costs, and the new Water and Sewerage Revenue Improvement Bond debt service payment.

The following table shows the history of the budgets each year for the last five years.

Budget History			
Year	Operating Budget	Capital & Grant Budget	Total Budget
FY 02 Actual	\$489,652,693	\$274,078,483	\$763,731,176
FY 03 Actual	\$546,859,803	\$188,004,990	\$734,864,793
FY 04 Adopted	\$554,879,571	\$119,393,332	\$674,272,903
FY 05 Adopted	\$578,186,302	\$58,532,009	\$636,718,311
FY 06 Proposed	\$595,577,087	\$65,867,520	\$661,444,607

The FY 05/06 Capital Budget is in excess of \$112 million over the two-year period, which accounts for approximately 18% of the total budget. The Capital Budget decreased 55% from 2004 to 2005. This decrease is attributed to the successful completion of one of the county's largest Water System capital projects, the Chattahoochee Tunnel project. The project began in FY 01 and ended in FY 04.

The Chattahoochee sewerage tunnel is 9.5 miles long, between 110 and 350 feet below the ground, and 18 feet in diameter. This tunnel will convey sewerage from the middle of East Cobb to the R. L. Sutton Water Reclamation Facility on the Chattahoochee River. The tunnel is not expected to reach its maximum capacity for the next 100 years. Expanding and upgrading this R. L. Sutton plant allows the county to address current growth and plan for the future, while ensuring continued environmental protection and compliance.

General Fund. The General Fund budget is the largest component of the operating budgets with an FY 05 budget of \$279 million, or an increase of \$14 million over FY 04. The FY 05/06 Biennial Budget presented some opportunities for growth in various budgets countywide. The FY 05/06 Biennial Budget includes a substantial

increase in staffing and operating costs to allow for expansion of services within county departments and elected offices. Approved in the FY 05 budget is 47 new full-time and 34 part-time positions for various departments and elected offices.

General Fund

FY 04 Adopted	FY 05 Adopted	% Increase	FY 06 Proposed	% Increase
\$265,276,092	\$279,817,024	5.48%	\$290,100,977	3.68%

Approximately 17 of the 47 new full-time and 3 of the 34

part-time positions will provide the required staffing related to the legislative appointment of a new State Court judgeship, effective October 1, 2004. In addition, 11 of the 47 new full-time and 31 of the 34 new part-time positions will support the Parks & Recreation Department full-year impact of new facilities, land acquisitions and the new South Cobb Aquatic Center, which is scheduled to open in FY 05.

Approximately \$19 million is budgeted for capital projects in the FY 05/06 Biennial Budget. Included is \$6 million for the county's road resurfacing and sidewalk projects. Over \$8.5 million is budgeted over the next two years for technology improvements including funds to upgrade the county's financial and human resources systems, as well as funds to continue expanding the county's Geographic Information System database. Also, in FY 06, approximately \$3.2 million is budgeted to fund half of the costs to complete the last two phases of the 800 MHz system upgrade.

Expenditure increases are only possible with revenue growth. An average 5% growth is budgeted in the General Fund for FY 05 and 4% for FY 06. The General Fund experienced an increase in revenues due to growth in the insurance premium revenues collected, change in the law related to assessing fees for missed court appointments, additional revenues as a result of new Parks & Recreation programs, and an increase in the tax digest.

Approximately one-third of residential properties is revalued each year; however, the General Fund will not realize any related revenue growth due to the county's new Floating Homestead Exemption law. The intent of this new legislation is to eliminate property tax increases, due to residential property reassessment, by increasing the homestead exemption amount equal to the property reassessment amount. Prior to the new Homestead Exemption law, growth in the digest was attributed mainly to residential property revaluations. The new law does not affect taxes for schools, bond indebtedness, and fire protection. This law applies only to the General Fund portion of each tax bill.

Claims Funds. The Claims Funds include Casualty/Liability, Medical, Dental, and Workers' Compensation. Each is funded by payments received from the operating funds. The FY 05 budget for the Claims Funds increased 7% over FY 04. The majority of this increase is attributed to increased medical and prescription expenses. The FY 06 funding increased less than 1% above FY 05.

Debt Service Fund. A majority of this fund's revenues is determined by the tax digest and millage rate. Expenditures, however, are determined by the level of debt incurred by the county for general obligation purposes. In FY 02, final payments were made on the 1994 Refunding Bond, which lowered our overall debt service payments.

E911 Fund. E911 is supported almost entirely by a \$1.25 fee paid by all residential and non-exempt commercial telephone customers in unincorporated Cobb County, the City of Powder Springs and the City of Marietta, and a \$1.00 monthly fee paid by wireless telephone customers within the county's service area.

The FY 05 budget is 4.25% less than the FY 04 adopted budget. The majority of this decrease is due to a reduction in the budgeted portion of the capital projects interfund expenditure. In FY 04, an interfund expenditure was budgeted for the CAD and Stratus Server upgrade.

Any revenue collected in excess of expenditures are, by law, reinvested in the E911 system. The excess revenues over expenditures are placed in undesignated contingency, which requires the Board of Commissioners' approval for expenditure.

	FY 04 Adopted	FY 05 Adopted	% Increase	FY 06 Proposed	% Increase
Claims	\$41,545,511	\$44,455,615	7.00%	\$44,521,629	0.15%
Debt Service	\$8,208,289	\$8,130,690	-0.95%	\$8,100,211	-0.37%
E911	\$8,924,692	\$8,545,289	-4.25%	\$8,737,559	2.25%
Fire	\$53,631,816	\$52,944,693	-1.28%	\$56,211,407	6.17%
Other Operating	\$8,916,002	\$9,120,625	2.30%	\$9,323,046	2.22%
Senior Services	\$4,924,241	\$4,816,894	-2.18%	\$4,936,567	2.48%

Fire Fund. Property taxes are the primary source of revenue for the Fire Fund. The projected growth of the net taxable digest increased the Fire Fund budget approximately 5% in FY 05. The county's Floating Homestead Exemption law does not apply to the Fire Fund. Although the FY 05 budget decreased by 1.28%, the Fire Department is budgeted to receive 13 new positions to establish a 10th Advance Rescue Life Support response unit, as well as to maintain the county's current level of service related to training, fire safety programs and life safety inspections. The reduction in expenditures is attributed to a decrease in worker's compensation, administrative fees, and short-term interest rates related to tax anticipation notes.

Other Operating Funds. Other funds include Community Services Block Grant, Golf Course, Law Library, Child Support Enforcement, Parking Deck, Mable House Amphitheatre and Hotel/Motel Tax. All of these funds are self-funded with the exception of Child Support Enforcement, which is funded by local and state funds. Combined, the FY 05 budget for these funds increased over 2% compared to FY 04.

The Hotel/Motel Tax Fund is primarily responsible for the \$.2 million net increase in both fiscal years. The current revenue and expenditure budgets are approximately \$.2 million higher than FY 04. The FY 05/06 budgets are based upon current revenue trends and future expenditure commitments.

With the adoption of the FY 05/06 budgets, the hotel/motel tax revenues are now committed to fund the county's \$3 million annual contribution (over the next 19 years) for the Performing Arts Centre project. This project is the collaboration of local government, private sector, the Board of Regents, Kennesaw State University, and Southern Polytechnic State University. The center will be managed by the Cobb-Marietta Coliseum and the Exhibit Hall Authority. The multifaceted center will occupy 16 acres to include a 3,000-seat theatre, 700-seat theatre, 200-seat black box, along with additional meeting rooms. The Performing Arts Centre is scheduled to open in FY 06.

Senior Services Fund. The funding for Senior Services is a composite of federal, state, and local grants, along with a General Fund subsidy. The FY 05 budget decreased 2.18% below FY 04. The majority of this decrease is attributed to the attrition rate and the reduction of administrative fees based on the recent indirect cost study.

Solid Waste/Compost Funds. The combined budgets for FY 05 decreased 7.67% from the FY 04 adopted budget. The majority of this decrease is attributed to the new business plan that went into effect February 2004. The intent of the new plan is to offer affordable services cost-effectively by increasing waste disposal fees and reducing select operating expenses. As a result of the new business plan, revenues have increased and expenses have decreased. However, the current revenue stream is not sufficient to full fund the operation of the Division.

	FY 04 Adopted	FY 05 Adopted	% Increase	FY 06 Proposed	% Increase
Solid Waste/ Compost	\$19,073,989	\$17,611,620	-7.67%	\$17,857,620	1.40%
Transit	\$12,610,199	\$13,359,144	5.94%	\$14,022,605	4.97%
Water	\$131,768,740	\$139,384,708	5.78%	\$141,765,466	1.71%

Transit Fund. Passenger fares are the single operating revenue source generated by Cobb Community Transit. Federal and state grants are available to share the costs of some operating and most capital improvements. The FY 05 Transit operating budget is 5.94% more than the FY 04 adopted budget. This increase is due to an increase in contracted operator service fees, the addition of six bus routes and the staffing of two new sales Kiosks. The outside vendor's contract is scheduled to expire in FY 05. The Transit budget assumes a 5% increase in the hourly cost. Also, the county has assumed the maintenance of the CCT facilities. Previously, the facilities were maintained and handled through an outside vendor's contract.

Water Fund. Revenue projections for FY 05/06 are in line with the expense projections. The two largest revenue sources for the Water Fund are water sales and local sewerage service fees, with nearly \$54 million and \$52 million collected annually, respectively. Revenues in excess of expenses support the ongoing expansion and replacement of county water and sewer lines, as well as water reclamation facility expansions.

The Water System budget increased 5.78% in FY 05 primarily to fund 13 new full-time positions, full-year impact of personal services, increased utility costs and water resale purchases, depreciation, sewer and water line repairs and the new debt service payment related to a \$100 million Water System Improvement Bond approved by the Board of Commissioners in FY 04.

The Water System was recognized through a Triple "A" bond rating from Fitch IBCA in 1999, Moody's in June of 2000, and Standard and Poor's in September of 2001. In March 2004, the Water System's Triple-Triple A credit rating was reconfirmed. Cobb County is now one of three independently funded water systems in the nation with three Triple "A" bond ratings from the top three rating agencies.

FY 05/06 BUDGET GOALS

The FY 05/06 Biennial Budget accomplishes several goals that were identified as imperative in the early stages of budget preparation. The following is a list of four major goals that influenced the operating and capital budgets.

Provide increased services while maintaining the current millage rate. The FY 05/06 Biennial Budget provides for 76 additional full-time and 34 additional part-time positions in various county departments and elected offices to include positions for Judicial Services; Public Safety; Parks, Recreation and Cultural Affairs; Property Management, Communications; Tax Assessor; Sheriff's Office; Water System; E911; and Fire. Judicial Services included funding for 17 full-time and 3 part-time new positions as a result of the new State Court judgeship, effective October 1, 2004.

Over the last nine years, the Board of Commissioners has managed to maintain one of the lowest millage rates in the Atlanta metropolitan area.

Millage Rate History

FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	Change
10.77	10.62	10.12	9.97	9.84	9.72	9.72	9.72	9.72	-1.05

Recruit and retain quality employees by offering a competitive salary. The FY 05/06 budget includes an average 4% merit increase for all employees. The total cost of the merit increase countywide is \$5.5 million in FY 05 and \$5.7 million in FY 06. Effective February 13, 2005, the Classification and Compensation Plan will be adjusted to allow the county to maintain a competitive position in the job market.

Continue funding for capital replacements. The Capital Plan is the primary means for funding the county's capital needs. In the past, all capital replacements and improvements were addressed in the same process. During earlier biennial budget preparations, a new process was developed whereby the merits of capital improvements and capital replacements were considered separately. As a result of this separate consideration and the availability of funds, approximately \$18.7 million is budgeted in FY 05/06 for countywide capital replacements. Replacement of the 800 MHz system, road resurfacing, and technology improvements represent approximately 94% of the Capital Replacement Schedule (CRS) budget.

Maintain a strong Capital Improvement Program. The Capital Improvement Program (CIP) is often cited as the primary reason Cobb County remains a leader in the Atlanta metropolitan area. The FY 05/06 Biennial Budget maintains this emphasis on capital improvements with over \$112 million budgeted. Over 83% of the capital improvement budget is for major water and sewerage projects to include installation of water meters, construction management services, water & sewer main replacements, stormwater drainage repairs and restoration, Sweetwater pump station upgrade, and R.L. Sutton Water Reclamation Facility expansion.

FY 05/06 AND BEYOND

The FY 05/06 Biennial Budget is a continuation of efforts by the Board of Commissioners to anticipate and adequately fund future demands on services provided by Cobb County. Several planning tools aid in the identification of potential needs and the effective management of countywide growth.

Capital Plan. The Capital Improvement Program is a process that involves all departments each year during budget preparation. Departments are asked to identify all future capital needs for a five-year period. Through the Capital Improvement Program, major funding requirements are recognized far in advance of the actual fiscal year in which the project is anticipated. This schedule enables the planned budgeting of funds required.

The Capital Improvement Program assists in identifying the county's future needs and allows adequate planning time to fund these needs. In the FY 05/06 budget process, the capital improvement requirements for the county were identified through FY 09.

In the FY 03/04 Biennial Budget, over \$211 million was budgeted for capital projects including water reclamation facility expansions and water and sewer main replacements. The FY 05/06 Biennial Budget continues to maintain an emphasis on capital improvements with more than \$112 million budgeted for capital improvements.

Comprehensive Plan and Future Land Use Map. With a surge in residential and commercial development throughout the 1980's, the Board of Commissioners enacted several land use policy changes in 1994 in an effort to effectively manage development, while preserving environmentally sensitive areas. Ultimately, the Board of Commissioners reduced the residential land use density ranges and established land use categories. The Future Land Use Map was amended in conjunction with these policy changes.

Based on the density within a designated land use category, this map facilitates planning for services, infrastructure, and transportation. As a result, the planning

process assists in projecting future funding requirements.

Economic Development. With the assistance of an Economic Development Incentives Ordinance, nonresidential development, including high-tech manufacturing and redevelopment of commercial areas, is encouraged in coordination with the Comprehensive Plan and Land Use Map. The effectiveness of this ordinance is represented in employment growth. As a result of the county's diverse economy, its unemployment rate is .5% less than the state average.

Cobb County has established three Enterprise Zones in areas primed for development. Businesses that invest within these Enterprise Zones are eligible for incentives such as tax abatements and reduced fees. Cobb has taken an aggressive approach to recruit businesses that best complement the community while revitalizing areas targeted for an economic boost.

In FY 01, Cobb received a federal grant to establish a Workforce Development program. During FY 04, the Workforce Development Center assisted more than 2,638 customers with free job counseling, training services, and placement services.

Policy Changes. With the adoption of the FY 05/06 Biennial Budget, the Board of Commissioners approved a policy that allows a maximum of 10% of the Water System's preceding fiscal year's gross revenues to be transferred to the General Fund, as needed.

CONCLUSION

The FY 05/06 Biennial Budget is the sixth biennial budget prepared and presented for Cobb County. The two-year budget process is yet another planning tool implemented to clearly define immediate and future budget needs. The merit of the biennial budget was highlighted by Moody's Investors Service in 1995 when the Cobb County General Obligation Bonds were upgraded from Aa1 to Aaa, referencing strong financial controls, performance and long-term strategic and capital planning. For similar reasons, Fitch IBCA was the second rating agency to rate Cobb's credit Triple "A" in 1996.

In 1997, Standard and Poor became the third of the nation's top three bond rating agencies to rate Cobb's credit Triple "A" - the highest grade possible. In March 2004, Cobb County's Triple - Triple "A" credit rating for the general obligation Water System revenue bonds was reconfirmed by all three rating agencies. Thus, the county has maintained its Triple - Triple "A" credit rating for the eighth consecutive year.

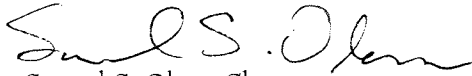
At the same time, the county received the same excellent credit rating for the tax anticipation notes (TANs), which are issued annually. This outstanding credit rating allows Cobb County to incur short-term and long-term debt at the lowest possible interest rate. As a result, Cobb County remains in the top 1% of financially secure counties across the nation.

The three rating agencies cited several factors that attributed to the county's renewed ratings. Those factors included the county's low property tax rates, low debt levels, financial management fund balance reserve policy, diverse economy, a significant use of current resources for capital needs and the practice of biennial budgeting.

It is with great pride that I present to you, my fellow Commissioners, the FY 05/06

Biennial Budget that communicates the leadership and vision of the Board of Commissioners to define our present opportunities and anticipate our future challenges.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Samuel S. Olens". The signature is fluid and cursive, with the first name "Samuel" and last name "Olens" clearly distinguishable.

Samuel S. Olens, Chairman
Cobb County Board of Commissioners

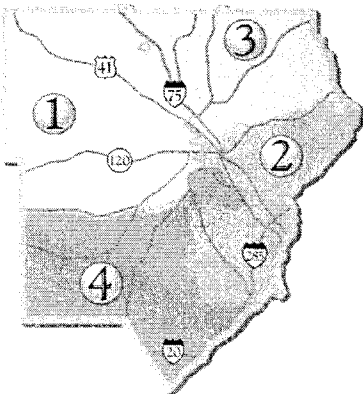
Did You Know?

According to the US Census, Cobb County's 1950 population was 61,830. Cobb's 2003 population is estimated at 651,027 residents.

Cobb Tid-Bits

Approximately 84% of the county is developed. Residential property accounts for approximately 64% of all existing land use, with single-family development being dominant.

Cobb County Commission District Map



MISSION

To help make Cobb County the best place to live and work through efficient, effective and responsive government that delivers quality services.

DESCRIPTION

A five-member Board of Commissioners governs Cobb County. The Board of Commissioners is comprised of one chairman, elected countywide, and four commissioners, each elected from a separate commission district serving four-year staggered terms. A County Manager, who is appointed by and responsible to the Board of Commissioners, directs the daily operation of the county. This commission-county manager form of government combines the policy leadership of elected officials with the administrative abilities of a county manager. The Board of Commissioners is primarily responsible for the establishment of tax levies and service fees, approval of planning and zoning requests, amendment and adoption of county codes and ordinances, as well as the creation and adoption of a balanced budget.

STATEMENT OF COMMITMENT

In order to accomplish our mission, we are committed to achieving excellence in government by:

- ▶ Insisting upon Customer Satisfaction
- ▶ Ensuring High Value for Tax Dollars
- ▶ Adhering to the Highest Ethical Standards
- ▶ Appreciating Diversity
- ▶ Being Open, Accessible, and Responsive
- ▶ Empowering and Supporting Employees
- ▶ Striving for Continuous Improvement
- ▶ Working Together as a Team
- ▶ Being Accountable

PHILOSOPHY

Provide equal opportunity for, all regardless of sex, race, religion, national origin, color, age, disability, citizenship or veteran status.

Respect and recognize the importance and contribution of individuals, and foster their personal and professional growth.

Encourage excellence and enthusiasm from our employees.

Maintain a work environment that motivates the employee to do the best job possible and encourages ethics befitting employees of a government in a vibrant, thriving, cosmopolitan community.

Promote a team spirit in the operation of Cobb County government in order to more effectively and efficiently serve the residents of the county.

Keep lines of communication open so that all voices can be heard.

Provide reliable, efficient, high-quality service to the residents and businesses of the county.

The future as defined by the Board of Commissioners expands services, stabilizes taxes, and maintains the infrastructure of Cobb County so that growth continues to be an opportunity rather than a hindrance. Destination Success reflects the county's intent to address future growth while maintaining a high standard of living that is synonymous with Cobb County.

MANAGING & PLANNING GROWTH

Maintain a healthy, balanced and stable tax base by maintaining quality residential and commercial growth.

- ▶ Monitor the future land use map and land use element of the Comprehensive Plan and prepare amendments as necessary.
- ▶ Amend ordinances and development standards that complement the new plan and its objectives.
- ▶ Ensure adequate infrastructure by coordinating planning and development among county agencies including Department of Transportation, Water, and Community Development.
- ▶ Maintain stable and competitive tax rates.

Enhance the county's infrastructure to address future demands for land use and county services related to community development, transportation, and water and sewer management.

- ▶ Coordinate the acceptance of public infrastructure constructed as part of new development projects.
- ▶ Refine and utilize the geographic information system as an aid to effective management of infrastructure.
- ▶ Plan and implement adequate water delivery and wastewater collection and treatment to meet future projected growth.
- ▶ Expand and upgrade the current capacity of the Water Reclamation Facilities.
- ▶ Develop short-range plans for additional infrastructure improvements including pedestrian facilities, multi-use trails and trail connections, safety and operational improvements and road widenings.
- ▶ Conduct a Transit Management and Operating Study to evaluate location, access to stops and shelters, public satisfaction, and fare structure.
- ▶ Conduct a Transportation Comprehensive Plan that will inventory existing facilities and identify transportation requirements over the next 20 years.
- ▶ Expand express transit services in cooperation with Georgia Regional Transportation Authority (GRTA) to address the growth in both population and employment base.

Continue to use the stormwater management master plan on a basin level to resolve drainage and run off storage problems within existing high-density urban areas.

- ▶ Continue basin planning studies to expand storm drainage inventory database and develop long-range stormwater Capital Improvement Plans in conformance with District mandates.
- ▶ Update and expand 100-year floodplain determinations, in conformance with District mandates, for current basin development conditions and future basin build out conditions and carry these determinations upstream to the 100 drainage area limit in each watershed. Use a site in west Cobb as a pilot

to test an "Automated Floodplain Generator" program to accomplish this cost effectively using the county GIS digital terrain model.

- ▶ Develop as a pilot program an interactive watershed simulation program which allows a user to interactively evaluate land use and structural design changes in a watershed.
- ▶ Continue evaluating expanded levels of stormwater management services and methods to fund them, including stormwater utility implementation plans.

Initiate an enhanced water conservation program with all of the Cobb County residents, public, schools, business community and the Metropolitan North Georgia Water Planning District (MNGWP) organization.

- ▶ Establish a Water Conservation unit to include the addition of new positions and the reassignment of existing positions.
- ▶ Determine appropriate conservation projects and establish a multi-year timetable for completing the projects.
- ▶ Work with existing organizations currently involved in existing water conservation efforts and the State of Georgia regarding required water conservation planning.
- ▶ Implement new programs as needed and strengthen existing regulatory programs.
- ▶ Pursue accomplishment of the 11 conservation actions recommended by MNGWP as would be appropriate for Cobb County in order to potentially reduce water demand and wastewater over the next 25 years.

Encourage quality development or redevelopment in the established Enterprise Zones.

- ▶ Serve as a liaison to all existing and relocating companies interested in establishing or expanding their business in Cobb County.
- ▶ Provide targeted businesses with an incentive package within 30 days of the request.
- ▶ Submit all business requests to the review committee for possible recommendation to the Board of Commissioners for approval.
- ▶ Perform annual audits of the enterprise zones.
- ▶ Focus redevelopment efforts on older commercial corridors to increase land values.
- ▶ Effectively manage the Tax Allocation District (TAD) Program.
- ▶ Provide information and technical assistance to the Cumberland and Town Center Community Improvement Districts.
- ▶ Foster small business development and appropriate land use/zoning in qualifying areas of the county.

BUILDING FOR SUCCESS

Maintain an aggressive Capital Improvement Program.

- ▶ Complete the ten-year capital improvement plan and financial model.
- ▶ Reinvest fund balance in excess of reserves into capital projects.
- ▶ Protect capital investments by maintaining and replacing equipment in a timely, cost-effective manner.
- ▶ Recommend capital improvements guided by the following criteria:
(1) federal, state or other mandates; (2) critical need to avoid or prevent public harm; (3) long-term economic development value; (4) useful life of

project; and (5) annual expenditure and/or revenue increases or decreases required.

TAKING CARE OF BUSINESS

Proactively maintain all county facilities to minimize unanticipated maintenance expenses.

- ▶ Regularly update the Capital Replacement Schedule for facilities maintenance.
- ▶ Regularly update the comprehensive preventive maintenance action plan for each facility including structural integrity, aesthetics, exterior envelope, mechanical systems, code compliance, liability exposure, and space allocation.
- ▶ Analyze and determine preventive maintenance needs incorporating the most efficient and effective solutions.

Maintain a safe, serviceable fleet of vehicles that meet the operational needs of county departments.

- ▶ Review vehicle replacement needs annually based on vehicle policy and department priority.
- ▶ Evaluate fleet to determine possibility of “recycling” vehicles to other departments.
- ▶ Continue to meet clean air mandates with conversion to alternative fuels.

Enhance the quality of life by maintaining and improving the stability, appearance and value of residential and commercial properties.

- ▶ Identify opportunities for parks, libraries, and other community services compatible with residential and commercial development.
- ▶ Enhance enforcement powers and improve the code violation process through the Magistrate Court.
- ▶ Increase resources to provide for proactive administration of codes.
- ▶ Provide required legal and technical training needed to effectively execute state and local codes.
- ▶ Continue to conduct townhall meetings to promote public awareness of current and future projects.

Protect and enhance the health and well-being of Cobb County residents and protect the natural environment.

- ▶ Protect the county's environment by improving water, sewer and solid waste services, greenspace designations and donations, and historic sites.
- ▶ Promote security partnerships with first responder agencies, state and federal authorities, and neighboring utilities.
- ▶ Utilize the latest technology for water security.
- ▶ Conduct regular assessments of system vulnerabilities and routinely update the system emergency response plans.
- ▶ Conduct periodic water sampling and testing to meet state and federal water quality initiatives.
- ▶ Operate the sewer system according to the Environmental Protection Agency's Capacity, Management, Operation and Maintenance (CMOM) Program.

- ▶ Explore implementation of additional activities for improving the region's air quality in conjunction with the Clean Air Campaign.
- ▶ Improve safety on thoroughfare roads by performing safety-related studies and implementing safety improvement projects.

Maintain professional, efficient public safety services that correspond to increases in population.

- ▶ Maintain sufficient public safety (police, fire, E911, animal control and sheriff) personnel based on projected population growth.
- ▶ Maintain a renovation schedule for all public safety facilities and a replacement schedule for all public safety equipment.
- ▶ Relocate public safety facilities as required to serve population growth and centers of activity.

Continue to update the Geographic Information System (GIS) to provide location-based information to internal and external users.

- ▶ Work with select county departments to develop their departmental GIS plans to address issues related to database development, update cycles, hardware and software needs, application development.
- ▶ Maintain and update databases, applications, and hard/software on an ongoing basis.
- ▶ Regularly update the digital orthophoto base map deployed on the intranet/internet.

FISCAL CONSERVATISM

Maintain conservative debt management and reserve policies.

- ▶ Confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
- ▶ Retire bonds for capital projects within the useful life of the project.
- ▶ Publish an official statement for each bond and note issue.
- ▶ Limit general obligation debt to less than 10% of the total assessed value of taxable property.
- ▶ Retire tax anticipation debt annually.
- ▶ Maintain reserves equal to 1/10th of the adopted budget for each operating fund, except the Fire Fund which requires a 1/20th reserve.

Focus the operating budget on expanded services while maintaining the lowest taxes in the Metro Atlanta area.

- ▶ Maintain a diversified revenue base by attracting new commercial ventures through the Economic Development Incentives Ordinance.
- ▶ Maintain a competitive tax rate to include the Fluctuating Homestead Exemption and the \$10,000 homestead exemption on the General Fund portion of property taxes.
- ▶ Apply for and accept federal and state funds for current and new public services throughout county government.
- ▶ Plan funding for all anticipated operating expenditures that are generated by new capital projects.

The above goals and objectives were defined as key areas requiring the attention of the Board of Commissioners in both the near and distant future.

With the emphasis on planning, Cobb County has successfully accepted the challenges commensurate with its growth. Cobb's success with managing growth and planning for the future is highlighted by the nation's top three rating agencies reconfirming the county's Triple-Triple "A" credit rating in March 2004. The Triple-Triple "A" credit rating is the highest grade possible.

With so much continued success behind Cobb County, it is obvious that leading the way to the future is the Board of Commissioners primary focus during the annual retreat. The product of those planning retreats is another means to aggressively meet the future needs and demands of a growing population.

Cobb County is part of a very select group to achieve the coveted Triple "A" credit rating from the nation's top three bond rating agencies. Less than one-half of 1% (25 out of 3,043) of all counties nationwide achieve this highly acclaimed status. This Triple "A" rating reflects the overall strength of the community and the county's commitment to sound fiscal policies and conservative management.

Summarized below are the more significant sections of the policies which have guided Cobb County to be recognized as a leader both nationally and locally.

BUDGET AND REVENUE ADMINISTRATION

Cobb County operates under an annual balanced budget (budgeted revenues equal budgeted expenditures), which is adopted by resolution and administered in accordance to State law. Although departments within each fund are not required to have balanced budgets, each fund as a whole is balanced.

The legal level of budget control is at the fund/department level as specified by State law. However, county policy requires further controls for the administration of all budgets. A department's budget can be divided into as many as seven separate appropriation units with spending controlled at each unit. Monies can be transferred within and between these appropriation units using the following guidelines adopted by the Board of Commissioners:

- ▶ All budget transactions require the approval of the Budget & Internal Audit Director and must include a statement from the Department Head or Elected Official justifying the transfer.
- ▶ All budget transfers from operating or capital to personal services require approval by the Board of Commissioners.
- ▶ All budget transfers from designated contingency to a non-designated item require approval by the Board of Commissioners.
- ▶ All budget transfers from undesignated contingency to a non-designated item require approval by the Board of Commissioners.

All major operating funds are required to maintain a fund reserve of at least 1/10th of the total budgeted appropriation, with the exception of the Fire Fund. The Fire Fund must maintain a fund balance reserve of at least 1/20th of the total budgeted appropriation. This policy demonstrates the county's commitment to maintain a high standard of fiscal responsibility.

In addition to the required reserves, on average ten percent (annually) of all tax-related funds are set aside for capital improvements, unless circumstances in a particular year dictate a greater/lesser amount. The General Fund also has contingency set aside for unforeseen expenditures. This contingency is at least \$1,500,000 annually. Use of contingency funds must be approved by the Board of Commissioners.

The county also has a Water System Transfer Policy adopted by the Board of Commissioners on November 9, 1997. The foundation of this policy is based upon criteria set forth in the 1985 and 1996 Water System Refunding Bond Resolution. According to the resolution, the county may transfer funds from the Water System Fund to the General Fund. However, the Water System Enterprise Fund must meet its daily cash flow requirements, provide for proper system maintenance and infrastructure growth, as well as maintain reasonable and competitive utility fees before any funds are transferred.

Summarized below are the criteria set forth in the 1985 and 1996 bond resolution:

- ▶ Funds may not be transferred within the first 60 days of the fiscal year.
- ▶ Transfers between Funds require approval by the Board of Commissioners.
- ▶ Funds must be uncommitted.
- ▶ The uncommitted Water Renewal & Extension funds must be greater than 5% of the operating revenue from the previous fiscal year.
- ▶ If a Debt Service Surety Bond has been issued by the Municipal Bond Insurance Association (MBIA), the uncommitted Water Renewal & Extension balance must be greater than \$3 million.
- ▶ Transfers cannot exceed 10% of the prior year's gross revenue.

The county has adopted a maximum transfer limit of 10% of the prior fiscal year gross revenue, effective with the FY 05/06 Biennial Budget.

To ensure the financial integrity of the Water System Enterprise Operation, the county adopted a transfer policy designed to keep the Water System's operational structure strong and minimize the General Fund's dependence on Water System funds.

PURCHASING

The Board of Commissioners amended the Cobb County Policy on Contract Management on August 12, 2003. The policy establishes the bidding limits and the methods by which county contracts for services (professional and non-professional), maintenance, public works/construction, commodity purchases, emergency and sole source procurements, revenue-generating contracts and lease contracts are originated, approved, signed, and managed. This policy applies to all county departments and elected officials' offices.

The primary amendments to the original policy are as follows:

- ▶ Revise limit from \$500 to \$1,000 for purchases made by Departments without competitive bidding.
- ▶ Revise limit from \$2,500 to \$5,000 for verbal and written quotes made by the Purchasing Department with a minimum of three quotes for each.
- ▶ Revise policy to clarify Purchasing authority to "piggyback" purchases on competitively bid or proposed Federal, State or other governmental cooperative purchase agreements/programs.
- ▶ Revise policy to clarify other various contract management procedures included in the Policy.

The proposed amendments will allow the purchasing staff to focus on larger dollar transactions with the greatest savings potential through competitive bidding, using cooperative purchase agreements that have already been through the competitive bidding and proposal process, and provide more timely purchase of minor goods and services costing less than \$1,000 needed by departments and elected offices. Also, the use of the current master price agreement is required for field purchase orders (PDs) under \$1,000, when applicable.

The Purchasing Department responsibilities are to prepare and keep a current list of approved vendors, establish standards and verify specifications for the requested goods and services.

The procurement guidelines, based on the dollar amount of the purchase, are as follows:

<i>Purchase</i>	<i>Quotes Required</i>	<i>Approval Required</i>
Goods less than \$1,000	Direct placement of order at the discretion of the Department Manager.	Department Manager
Services less than \$1,000	Direct placement of order at the discretion of the Department Manager.	Department Manager
\$1,000 to \$4,999.99	Minimum of three (3) verbal quotes.	County Manager*
\$5,000 to \$29,999.99	Minimum of three (3) written quotes.	County Manager*
Public Works/ Construction \$29,999.99 or less	Minimum of three (3) written quotes.	Board of Commissioners*
\$30,000 to \$100,000	Sealed bids - minimum of two (2) weeks advertisement.	Board of Commissioners*
Public Works/Construction \$100,000 or more	Sealed bids - minimum of four (4) weeks advertisement.	Board of Commissioners*
Lease of property	N/A	Reviewed per county Lease Review Policy*
Lease of equipment	Sealed bids - minimum of two (2) weeks advertisement.	Reviewed per county Lease Review Policy*

* Applicable if expenditure is not budgeted and approved by the BOC as a line item in the Department's budget.

TREASURY AND DEBT MANAGEMENT

All investments are safeguarded in accordance with sound business principles and applicable laws to ensure that prudent investment decisions are made to protect public funds, minimize market and security risks, and maximize utilization of funds with respect to liquidity and yield. When issuing debt, the county abides by all State laws and requirements and follows sound budgetary and fiscal policies to sustain its strong financial position and favorable credit rating.

Excess idle funds are invested in accordance with the laws of the State of Georgia and the county's own Investment and Portfolio Policies and Procedures approved by the Board of Commissioners. Management and implementation of these policies are delegated to the Finance Director/Comptroller who, in turn, establishes internal procedures for the investment program. No person may engage in an investment transaction except as provided under the terms of the county's Investment and Portfolio Policies and Procedures. The securities purchased by the county are safekept by a third-party custodian. Cash balances are maintained in interest-bearing accounts that are collateralized in accordance with the laws of the State of Georgia.

Because cash flows may not coincide with expenditure patterns for the various projects and the day-to-day operations of the county, it is sometimes necessary to borrow money to match these spending requirements. Tax Anticipation Notes (TANs) are used to borrow against current year anticipated tax revenue. In accordance with State

law, the TANs notes are paid off before the end of the calendar year in which they are borrowed.

The county's long-term debt is managed through use of the Debt Service Fund. In 1997, Standard and Poor became the third of the nation's top three bond rating agencies to rate Cobb's credit Triple "A" - the highest grade possible. In March 2004, Cobb County's Triple - Triple "A" credit rating for the general obligation and Water System revenue bonds was reconfirmed by all three rating agencies. Thus, the county has maintained its Triple - Triple "A" credit rating for the eighth consecutive year.

At the same time, the county received the same excellent credit rating for the tax anticipation notes (TANs), which are issued annually. This outstanding credit rating allows Cobb County to incur short-term and long-term debt at the lowest possible interest rate. As a result, Cobb County remains in the top 1% of financially secure counties across the nation.

The three rating agencies cited several factors that attributed to the county's renewed ratings. Those factors included the county's low property tax rates, low debt levels, financial management fund balance reserve policy, diverse economy, a significant use of current resources for capital needs, and the practice of biennial budgeting.

The county adheres to the following guidelines to manage the payback of its debt:

- ✓ Long-term borrowing will be confined to capital improvements or projects that cannot be financed from current revenues.
- ✓ Payback period on bonds for capital projects will not exceed the expected useful life of the project.
- ✓ Average maturity for General Obligation Bonds will be kept at, or below, twenty years.
- ✓ Current revenues, whenever possible, will be used to make a down payment of at least ten percent of a project's total cost for all debt-financed projects.
- ✓ General obligation debt will not exceed ten percent of total annual locally-generated operating revenue.
- ✓ General obligation debt will not exceed ten percent of the assessed value of taxable property, net of applicable exemptions.
- ✓ Special assessment revenue, or other self-supporting bonds, will be used instead of general obligation bonds.
- ✓ Long-term debt will not be used for current operations.
- ✓ Annual tax anticipation debt will be retired annually.
- ✓ Good communication will be maintained with each bond rating agency regarding the county's financial condition, to include the policy of full disclosure on every financial report and bond prospectus.

ACCOUNTING AND GRANTS ADMINISTRATION

Cobb County's financial statements are prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Adhering to Georgia Code, Cobb County's books of account, financial records, and transactions of all administrative departments are audited annually by independent certified public accountants. A Comprehensive Annual Financial Report (CAFR) is prepared each year to present the county's financial position and results of the last fiscal year's

operations, as measured by the financial activity of its various funds. All disclosures necessary to enable interested citizens to gain a reasonable understanding of the county's financial affairs are included.

Cobb County's accounting system employs the Fund as the basic accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. All governmental funds are accounted for using a current financial resource measurement focus. The modified accrual basis of accounting is used by all governmental fund types. Proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. The accrual basis of accounting is utilized by these two fund types.

The county's internal accounting controls are designed to provide reasonable assurance, related to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. This concept of reasonable assurance is based on recognizing that the cost of control should not exceed the benefits likely to be derived, and the evaluation of those costs and benefits will require estimates and judgements be made by management.

The Board of Commissioners is responsible to the citizens of Cobb County for the faithful stewardship of public money. It is the Board's duty to ensure public money is expended prudently and to fully document all expenditures.

Not all public monies are expended directly by agencies of county government. A large number of non-profit and intergovernmental organizations request financial assistance from the Board of Commissioners. When these organizations (grantees) receive county-funded grants, they become expenders of public money. It is also the Board of Commissioners' responsibility to ensure judicious management of public funds awarded to grant recipients. Therefore, the Board of Commissioners may require a detailed accounting of all expenditures from recipients.

The acceptance of public money constitutes an agreement with the recipient to faithfully account for all monies received from the county. Grant recipients agree to maintain accurate records of the receipt and disposition of all county funds, and to make these records available for inspection and audit.

RISK MANAGEMENT

The mission of the Risk Management Division is to defend any actions which may be brought against the Board of Commissioners, the Elected Officials and/or their employees, pursuant to the provision of the Official Code of Georgia Annotated (O.C.G.A.) 45-9-21, and to administer the casualty and liability claims generated by Cobb County Government. Internal policies and procedures are in place to accomplish the following objectives of the Risk Management and Safety program:

- ▶ Protect the county against the financial consequences of accidental losses which are catastrophic in nature, and preserve county assets and public service capabilities from destruction or depletion.
- ▶ Minimize the total long-term cost to the county of all activities related to the identification, prevention and control of accidental losses and their consequences, and for personal health and hospitalization costs related to claims.

- Establish, to the fullest extent, a safe work and service environment in which employees and members of the general public can enjoy safety and security in the course of their daily pursuits.

To meet the above objectives, the county established a self-funded risk management program for casualty, liability, and medical claims in 1985. Premiums are paid into the Claims Funds by other operating funds to pay claims and administrative costs. Excess coverage policies are maintained for workers' compensation and medical claims to protect the county if claims exceed established per occurrence limits.

Cobb County also has in place numerous programs to provide employees with the information and skills needed to accomplish the objectives of this policy. A Cobb County Employee Safety Handbook has been approved by the Board of Commissioners, which is distributed to each employee. This handbook serves as a general guideline for employee safety and responsibility. The safety handbook also includes a Cobb County Vehicle and Equipment Policy that details the criteria to be followed for the purchase, maintenance, use and administrative oversight of vehicles and equipment controlled by the Board of Commissioners.

The policies and procedures outlined above are included in detail in the Cobb County Employees Safety Handbook, as revised and approved by the Cobb County Board of Commissioners on February 12, 2002.

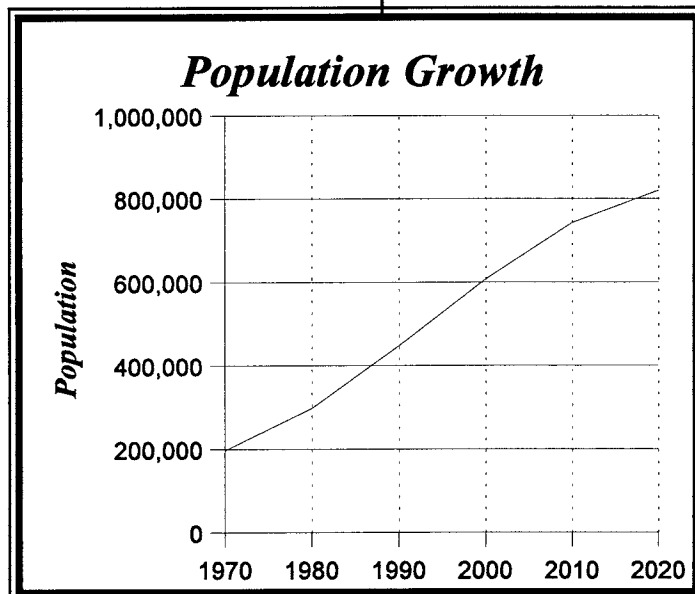
As a foundation of the FY 05/06 budget preparation process, the Chairman and County Manager outlined key goals for the next two fiscal years. These goals reflect the short-term financial and operational policies that guided the development of the biennial budget. All goals were met with the adoption of the FY 05/06 Biennial Budget. Following are highlights of these key goals:

In FY 05/06, Cobb County continues a policy of moderate budgetary growth for adopted operating budgets. The net increase from FY 03 to FY 06 is 13.6%, which averages only 3.4% per year.

FY 03	\$524,309,241
FY 04	\$535,446,370
FY 05	\$578,186,302
FY 06	\$595,577,087

Allow only moderate budgetary growth for departments. Most departments received modest operating increases in the FY 05/06 budget. The increases were deemed necessary to maintain current service levels for a Cobb population growing at an estimated annual rate of 2.3% over the next two years.

Provide increased services to accommodate county growth and demand for services. The addition of 76 full-time positions and 34 part-time positions resulted from the legislative appointment of a new judgeship for FY 05, full-year impact associated with the acquisition of new county facilities to include active and passive park lands, as well as the need to maintain and expand our current level of service.



The new full-time and part-time positions approved by the Board of Commissioners included 17 full-time and 3 part-time positions for the new judgeship. Of the 17 new positions, State Court will receive 6 full-time and 3 part-time bailiff positions, which is customary for a new judgeship. The appointment of a new judgeship also impacts the demand for services of several judicial offices. As a result, additional funding is budgeted for 11 new full-time positions for the Sheriff's Office for court security, Clerk of State Court to handle the increase in administrative functions related to record keeping and collecting fines, and Solicitor's Office for the increase in cases prosecuted.

During FY 04, several park and recreation facilities were acquired by the county. Thus, Parks and Recreation will receive 11 full-time positions to support the Corp Property, Sliver Comet Trail, South Cobb Aquatic Center (scheduled to open in FY 05), and the Wright Nature Center. The South Cobb Aquatic Center will also receive 25 part-time lifeguard positions, which is customary for an aquatic center of its size. With the addition of several new parks, Public Safety will receive 6 new Police Officer II positions for the Ranger Unit to provide additional security and more visibility in the parks.

In order to maintain our current level of service, 29 of the 76 full-time and 6 of the 34 part-time new positions are budgeted for allocation to several county departments such as the Clerk of Superior Court to support the Real Estate division's workload; Community Development for the expanded Geographic Information System (GIS) efforts; Communications Department to support their expanded website efforts; Purchasing Department for fleet services; Public Safety for additional coverage to handle the county's specialized wireless radio networks; State Court for additional jury

management support; Property Management for the coordination and tracking of county facility maintenance work orders; Superior Court to provide additional judicial support for the judges; Tax Assessor's Office for additional field support; and Parks & Recreation for management of the community centers and mail courier service on a part-time basis. Five part-time positions will provide management of the community centers. The community centers were previously managed by community volunteers.

The E911 Communications Bureau is budgeted to receive 3 new full-time positions to provide better coverage for the operations center, address the increase in demand for services, as well as enhance their ability to supervise and manage staff.

The Fire Department is budgeted to receive 13 new full-time positions, of which 9 are for the establishment of a 10th Advance Rescue Life Support response unit. The addition of this new unit is needed to meet the increase demand in emergency medical services within . The other 4 new positions have been added to allow the department to continue to provide their current level of service related to training, fire safety programs and life safety inspections.

In support of the Metropolitan North Georgia Water Planning District's *Water Supply and Water Conservation Management Plan*, the Water System is budgeted to receive 13 new positions to initiate an enhanced water conservation program to promote efficient use of our water resources. These new positions will provide various educational and public information programs to the customers of Cobb County. The Metropolitan North Georgia Water Planning District (MNGWPD) has urged communities in the region to develop and implement water conservation programs that follow the Plan's approach. The MNGWPD was created by state legislation in 2001 to address these issues in a comprehensive regional manner.

Also, included in the budget is additional funding for 19 existing positions that were previously funded by Federal and State agencies. The Public Safety COPS positions represent 9 of the 19 positions funded by a Federal grant that is scheduled to expire in FY 06. There are also 10 Juvenile Court Probation Officer positions funded by several State grants which are scheduled to expire. In FY 05, 4 of the Juvenile Court positions will expire and the other 6 will expire in FY 06.

Maintain a competitive salary structure and merit plan that rewards performance. Again in FY 05/06, the budget plans for an average 4% merit increase for employees. The merit increase assists in retaining employees who perform in an exemplary manner. To remain competitive in the local market, a compensation plan adjustment is budgeted for FY 05/06, which upgrades the minimum, market, and maximum of the salary grades. The current compensation plan also allows for periodic position reclassification reviews and upgrades as requested by department heads and elected officials. In addition, select E911 & Fire assignments are budgeted to receive specialty pay enhancements.

Maintain Competitive Tax Rates. Maintaining competitive tax rates is one of the primary goals of the Board of Commissioners and is reflected in the FY 05/06 Biennial Budget. The Board of Commissioners held the 2004 tax rate at 9.72, which is the same millage rate adopted in 2003, 2002, and 2001.

Under the leadership of the Board of Commissioners, the county has experienced a cumulative millage reduction of 2.27 since 1992. This cumulative millage reduction equates to approximately \$269 million in savings to the county taxpayers over the last

eleven years.

In addition to the 2.27 cumulative millage reduction, the Board of Commissioners also supports the county's fluctuating homestead exemption law enacted in January 2001. Since the enactment of this law, Cobb County residents have benefitted from the fluctuating homestead tax law. Countywide this exemption amounts to over \$2.1 billion in property value. As a result, county taxpayers saved approximately \$14.8 million in 2004 and a cumulative savings of \$41.9 million since the law was enacted in 2001.

The intent of the fluctuating homestead exemption law is to keep residential property taxes from increasing as a result of property reassessments. If a homeowner's property taxes increase as a result of a reassessment, the homeowner's homestead exemption also increases by the same amount; thus offsetting the property tax increase. The new law does not affect commercial property revaluations, taxes for schools, debt service, or fire protection.

Cobb County's millage rate is the lowest millage rate in the Metro Atlanta area, which reflects the Board of Commissioners' commitment to provide the best services for the lowest possible costs.

An average 5% annual growth rate for the net taxable digest is sufficient in meeting the property tax funding requirements of the General, Fire and Debt Service Funds for FY 05. The average rate of growth in the net taxable digest for FY 06 is also budgeted at 5%.

Maintain current level of grants funding. Each year, as part of the budget process, many non-county governmental and non-profit service agencies submit requests for funding. The non-profit grant request process is a competitive process in which agencies define the funding needs and the benefits of their programs to the community. The county met the goal to at least maintain funding for non-profit human services grants within the county. Some of the agencies receiving funds in FY 05/06 include:

- ▶ Assisting Needs of the Disabled
- ▶ Boys & Girls Club
- ▶ Center for Family Resources
- ▶ Center for Children and Young Adults
- ▶ Cobb Literacy Council
- ▶ Habitat for Humanity
- ▶ Lea's Kids
- ▶ Safe Path Child Advocacy Center
- ▶ The Extension
- ▶ Tommy Nobis Center
- ▶ Traveler's Aid
- ▶ YWCA Battered Women's & Rape Crisis Centers

Continue funding for the capital replacement policy. The County Manager, with support from the Chairman, focused attention on the maintenance of facilities, the replacement of equipment and technology improvements. The FY 05/06 budget includes \$3 million each year for road resurfacing to keep Cobb's roads safe under the demands of an ever-growing county. To remain efficient and responsive to the public, over \$8.5 million is budgeted in FY 05/06 for technology improvements. Included

in the \$8.5 million is funding for PC replacements, integrated library system, financial management & human resources system upgrades, as well as funds to continue expanding the county's Geographic Information System database. Also, in FY 06, approximately \$3.2 million is budgeted to fund the last two phases of the 800 MHz radio system upgrade. The last two phases of the 800 MHz upgrade are estimated at \$12.8 million. Therefore, the remaining balance of \$9.6 million will be budgeted over the next two budget cycles.

Continue infrastructure funding through the Capital Improvement Program. The FY 05/06 budget maintains funding for capital projects in excess of \$112.2 million over the two-year period. The largest component of the Capital Improvement Program (CIP) are the ongoing water/sewer projects, which account for over 83% of the total capital budgets in each year. The water/sewer projects address the future needs of the county and protect water quality by planning for growth. The majority of these projects are meter installations, construction services, sewer main replacements and extensions, stormwater control, water main replacements and extensions, water reclamation facility (treatment plant) expansions, and regional sewer upgrades.

Provide operating funds necessitated by capital improvements, personnel improvements and prior year commitments. The FY 05/06 budget includes additional funding associated with the full year impact of several new programs and facilities for the Parks & Recreation Department.

The budget also contains additional funding for the county's acquisition and renovation of office space at the former Westpark Plaza Shopping Center, which is scheduled to open by the second quarter of FY 05. This new facility will provide additional office space for the Tax Assessor's Office, Tax Commissioner's Office, Board of Equalization, and other county/county associated departments and offices, as needed.

Additional funding is budgeted to renovate the unfinished space on the second floor of the county owned facility occupied by the Board of Health. Renovation of the unfinished space will provide additional office space for existing Board of Health and Community Services Board staff. Funds are also budgeted for furniture and equipment for new positions associated with the new State Court judgeship, Public Safety and the new Water Conservation unit.

In 2004, the Board of Commissioners issued a \$100 million Water and Sewerage Revenue Improvement Bond for the betterment of the county's water and sewer system. As a result, the FY 05/06 Budget includes funding to cover the related debt service payment of \$3.1 million for each year. The remaining debt service payments will be budgeted in the future biennial budgets. The budget also includes the full year impact of the county's portion of the Performing Arts Centre contribution budgeted at approximately \$3.0 million for each year. The Hotel/Motel Tax revenues will be used to fund the county's annual portion of Performing Arts Centre contribution.

Planning for smart growth. In the near future, the county intends to explore various funding options for the improvement of parks, recreation facilities, sidewalks, walking trails, bike paths and road and transportation improvements.

During the last four years, the county has acquired approximately \$5.2 million of greenspace as a result of the Georgia Greenspace Commission grant fund. These

grant funds help the county purchase and protect 20% of its net acreage from development for non-organized passive recreational uses.

To bring more money and jobs to languishing developed areas of the county, the Board of Commissioners has established three enterprise zones within the county. Enterprise zones offer tax breaks and additional economic incentives for businesses in these areas. Enterprise zones generate millions in land investment, building, and construction.

In addition to the enterprise zones, the Historic Mableton Preservation and Improvement Plan is another one of Cobb County's initiatives for embracing the "smart growth" concept. Mableton is one of Cobb's oldest unincorporated areas. Previously, during the early 20th century, the town of Mableton was an incorporated city between 1912 and 1916. Similar to what has occurred in some of Georgia's established and mature communities, Mableton's infrastructure has deteriorated and long-standing businesses have relocated, leaving behind a community that falls short of its potential.

With careful planning and guidance, Mableton will be transformed into a desirable, transit-oriented, pedestrian-friendly, mixed-use community. Recognizing this opportunity in Mableton, the State of Georgia Department of Community Affairs (DCA) has provided Cobb County with a special grant to begin the revitalization of Historic Mableton. Its proximity to a proposed commuter rail line and the existing street network, Mableton is a prime location to implement the principles of smart growth.

The FY 05/06 Biennial Budget was prepared in anticipation of future economic growth that necessitates expanded services. Indeed, the long-term goal for balanced and quality economic development is furthered by the consistent accomplishment of the short-term budgetary goals outlined in the preceding paragraphs. Attention to restrained budgetary growth, high quality public safety services, motivated quality county staff, very competitive tax rates, nurturing family-oriented community support organizations, and the maintenance and improvement of the capital infrastructure are a few key examples of the forward-thinking nature of Cobb County's leadership.

INTRODUCTION

The FY 05/06 Cobb County Biennial Budget, created to support short and long-range planning, focuses on the use of financial resources over the next two fiscal years. Annually, Cobb County receives and accounts for more than \$630 million from a variety of sources. Cobb County is committed to providing low cost, high quality products and services to its residents, businesses, employees, and visitors. Cobb County is bound by a basic obligation to prudently oversee the collection and disbursement of all public funds. At the direction of the Chairman and County Manager, the county's policies and procedures are strictly enforced to ensure that all financial and management decisions result in actions that reflect the best interests of Cobb County.

THE PROCESS

This Biennial Budget process began in early October 2003 and concluded in early September 2004. The Budget and Internal Audit Department (B&IA) served as liaison and facilitator for the Chairman and County Manager, working with all Elected Officials and county departments.

At the direction of the Chairman and County Manager, B&IA played a significant role in the FY 05/06 Biennial Budget process. The FY 05/06 process incorporated new forms and procedures that encouraged departments to work closely with B&IA at the outset to establish fiscally sound budget requests. The Budget and Internal Audit department conducted several "Budget 101" sessions to educate department heads and budget contacts on the FY 05/06 budget process and new forms.

The budget process is organized into the these four segments:

- (1) **Management Plan**
- (2) **Financial Plan**
- (3) **Capital Plan**
- (4) **Consolidation**

THE BUDGET SEGMENTS

Management Plan

Each department is required to prepare and submit a Management Plan. Once their Management Plan has been submitted, Budget and Internal Audit distributes the Financial and Capital Plans. The Financial and Capital Plans are not distributed to departments until their Management Plans are received. Management Plans were due to B&IA on February 27, 2004.

The Management Plan provides both narrative and performance statistic information, which lends support to the department's operations. This is helpful when considering staffing and funding levels. Additionally, this information provides an overview of how taxpayer dollars are being spent. The Management Plan includes the following components: mission statement, department description, goals and objectives, key performance objective, key performance measure, and performance measures. Management Plans are reviewed and edited by B&IA for incorporation into both the Proposed and Biennial Budget Book.

In an effort to assist departments with the development of an effective and useful Management Plan, B&IA created a new comprehensive instruction booklet that included a budget calendar, key points to remember, and specific related examples. Instruction booklets were distributed to department managers at the Department

Managers' Meeting on November 19, 2003. Throughout January 2004, Management Plan training classes were offered independently and in conjunction with the "Budget 101" classes. In addition to the training classes, departments requiring additional assistance with their Management Plans could schedule individual tutorial sessions with B&IA.

Financial Plan

The Financial Plan outlines the funding levels required to carry out planned activities during the upcoming fiscal years. State law mandates a balanced Financial Plan, which means budgeted expenditures must equal budgeted revenues. Although departments within funds are not required to have balanced budgets, each fund as a whole must be balanced.

Cobb County employs the traditional 'Line-Item' (objects of expenditure & sources of revenue) method of budgeting at departmental level. Some departments budget activities or programs, however, each activity or program eventually accounts for its financial resources within the framework of their departmental line-item budget. Although the county tracks activity and program performance, it is not directly tied to budgeted dollars in the budget system. A future budget system upgrade will allow some linkage between dollars and performance.

Funding required to support current levels of service were analyzed, discussed, and then mutually agreed upon by the key staff of each department and B&IA. Any line item lacking this agreement between B&IA and the department, would be flagged as an outstanding issue needing Chairman or County Manager consideration. Historically, this process has significantly reduced the number of issues requiring management attention.

The resulting Financial Plans would be completed and submitted by departments five weeks after the Management Plans were turned in. These Financial Plans would then be presented to the Chairman and County Manager. Requests that were above and beyond continuation levels, would require management direction. This process minimizes the time required for management to review the Financial Plans after they are submitted.

On April 1, 2004, departmental continuation budgets (Financial Plan) and justification/explanation forms were due to B&IA. All the Financial Plan information, Management Plans, and five-year history of spending patterns were used to formulate the B&IA recommendations for FY 05/06 budgets.

Departments and Elected Officials, with potential personnel and vehicle related improvement needs, submitted concise justifications and estimated costs for each improvement by April 8, 2004. In April and May these requests were reviewed by the Chairman and County Manager for inclusion in the proposed operating budgets.

By March 11, 2004, B&IA had formed initial budget recommendations. After receiving the Financial Plans from departments on or before April 1st, the original budget requests were entered into the budget system by April 16, 2004. By May 7, 2004, B&IA had reviewed the requests and finalized funding recommendations. The funding recommendations were entered into the budget system by May 17, 2004. In May and June 2004, the Chairman and County Manager met with B&IA to review the budget recommendations and outstanding issues. B&IA obtained concurrence on the recommended figures and received further guidance on outstanding issues. Also,

departments were given the opportunity to meet with the Chairman or County Manager to discuss outstanding issues. At the direction of the Chairman or County Manager, approved outstanding items were incorporated into, and other disapproved items were deleted from, the B&IA recommendations. The Chairman and County Manager reviewed the increases in departments' discretionary budgets. The initial review meetings with the Chairman and County Manager were complete in May 2004. Final budget review meetings were held in June and all management recommendations were finalized and entered into BRASS, the budget system, by June 16, 2004.

Grant funding is a component of the Financial Plan. The county's Grant Application Process determines the level of General Fund support provided to nonprofit organizations. Grant Application forms and instructions were distributed to various nonprofit organizations in January 2004. Completed applications were due April 23, 2004. These applications were reviewed by the Cobb Community Collaborative, a local alliance of nonprofit agencies. This organization then made funding recommendations. The Chairman reviewed the grant requests and Collaborative recommendations the first week in June. His recommendations were finalized July 12, 2004 and were incorporated in the proposed FY 05/06 Operating Budget.

Capital Plan

The Capital Plan consists of two parallel components, the Capital Replacement Schedule (CRS), and the Capital Improvement Program (CIP), which eventually integrate into the Operating and Capital Budgets. The departmental Capital Plans were due to B&IA six weeks after the Management Plans.

The CRS is a management tool used to anticipate and plan for the county's comprehensive capital replacement needs over a 20-year horizon. The CRS focuses on replacement of existing facilities and equipment costing more than \$25,000. This component of the Capital Plan allows the county to proactively plan for long range infrastructure projects to avoid straining current or future financial resources.

On April 9, 2004 CRS forms were due to B&IA, along with justifications and explanations. These documents were reviewed and consolidated during April for presentation to the Chairman and County Manager for further guidance and approval. During April and May 2004, B&IA examined these projects and/or items for accuracy, potential cost allocation between funds, and actual need. Requesting departments met with the County Manager in June and July to explain and justify the projects requested. By July 16, 2004, the countywide proposed CRS was finalized.

The other component of the Capital Plan is the CIP. The CIP is used to identify needs for new capital items or projects costing more than \$25,000.

Departments with potential capital improvement requests were instructed to submit concise justifications and accurate cost estimates for each of their improvements. The capital improvement proposals were due to B&IA on April 9, 2004, along with the corresponding justification.

The review process for CIP items was similar to that of the CRS. During April and May 2004, B&IA was examining these projects or items for accuracy, potential cost allocation between funds, and actual need. Requesting departments met with the County Manager in June and July to explain and justify the projects requested. By

July 16, 2004, the countywide proposed CIP was finalized.

The Chairman, County Manager, and B&IA met in June and July 2004, to review all CRS and CIP proposals. At the direction of the Chairman and County Manager, B&IA incorporated designated CRS and CIP proposals into the draft FY 05/06 Capital Budget for further consideration.

With the draft Capital Plan decided, the capital recommendations were integrated into the FY 05/06 Proposed Budget. By early July 2004, the Chairman and County Manager had a preliminary overview of the FY 05/06 Proposed Operating and Capital Budgets. A final proposed FY 05/06 Biennial Budget was presented to the Chairman and County Manager for final review by late August.

CONSOLIDATION

After the first three budget segments were complete, B&IA compiled the information and completed the FY 05/06 Proposed Budget Book. This document included all elements contained in the Management, Financial, and Capital Plans used to formulate the Operating and Capital Budgets.

On August 20, 2004, the FY 05/06 Proposed Budget Book was presented to the Chairman and County Manager. On August 24, 2004 the Chairman presented the FY 05/06 Proposed Budget to the Board of Commissioners (BOC) for review.

The proposed Operating and Capital Budgets were advertised in the Marietta Daily Journal on Tuesday, August 24, 2004 and Tuesday, September 7, 2004. A public hearing was held on September 7, 2004. At this hearing, citizens were invited to comment on the FY 05/06 Proposed Budget.

Consistent with Georgia law, the FY 05 Operating and Capital Budgets were adopted, and the FY 06 Proposed Budget was approved at the BOC's regular meeting on September 14, 2004.

On the following page is a planning calendar which provides a snapshot of the budget plan and process utilized for the compilation of the FY 05/06 Biennial Budget.

BUDGET AMENDMENTS AFTER ADOPTION

The budget is a plan for future operations. Sometimes it is necessary to modify the adopted budget. Georgia law regulates how and under what circumstances budgets may be amended. There are two general types of amendments: budget transfers and appropriation changes.

Budget transfers are primarily transfers from one or more line-item account(s) to another within a department's budget, and this does not change the "bottom line" total for the department. However, appropriation changes do change the "bottom line" and therefore require the Board of Commissioners' approval. The following are examples of how the adopted budget may be amended:

Transfers. All transfers require the approval of the Budget & Internal Audit Director and must include a justification statement from the Department Head or Elected Official.

Transfers Allowed Without Board Approval

From: Part-time/Overtime Salary	To: Operating or Capital
From: Operating	To: Operating or Capital
From: Capital	To: Operating or Capital
From: Designated Contingency	To: Designated Item

All transfers to or from capital are reviewed by the Chairman and/or County Manager.

Transfers Requiring Board Approval

From: Operating or Capital	To: Personal Services (PS)
From: Designated Contingency	To: Non-Designated Item
From: Undesignated Contingency	To: PS, Operating or Capital

Appropriations. An appropriation is an authorization made by the Board of Commissioners which permits the county to collect revenue, incur obligations and make expenditures. All revenue or expenditure appropriation increases or decreases to the adopted budget, for a department or fund, must be approved by the Board of Commissioners. The list below represents several examples:

- ▶ The appropriation of additional revenue, such as retained earnings or fund balance, to support operating expenses or fund a major capital project.
- ▶ The appropriation of revenue and expenditures for a new facility, program, or department.
- ▶ The reappropriation of funding, or transfers, from one fund to another.
- ▶ The appropriation of funding for additional employees, both full-time and part-time.

<i>Planning Calendar</i>	<i>October</i>	<i>November</i>	<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>
<i>Assess and Request</i>												
Prepare budget plans & guidance, and explain process to departments		→										
Departments prepare and submit Management Plans			→									
Non-profit agencies prepare grant applications (Financial Plan)					→							
Departments prepare and submit operating budget requests (Financial Plan)						→						
Departments prepare & submit the CRS/CIP requests (Capital Plan)						→						
<i>Review and Recommend</i>												
B&IA reviews Management Plan submissions and completes input						→						
Cobb Collaborative reviews grant applications							→					
B&IA reviews Capital Plans (CIP & CRS)							→					
Operating Budget (Financial Plan) analysis and management review								→				
Capital Plan management review & draft Capital Plan recommended									→			
<i>Finalize and Adopt</i>												
Funding for Grants finalized									→			
Operating and Capital Budget drafts reviewed and finalized										→		
Public Hearings & BOC approval of current year Property Tax Millage										→		
Chairman/Vice-Chairman proposes Operating and Capital Budgets to BOC											→	
Public Hearing for Operating and Capital Budgets by the BOC												→
Adoption of the Operating and Capital Budgets by the BOC												✓